



COUNTY OF SAN LUIS OBISPO

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TO: JANETTE PELL, GENERAL SERVICES AGENCY DIRECTOR

FROM: JAMES P. ERB, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

DATE: SEPTEMBER 16, 2013

SUBJECT: FINANCIAL REVIEW OF THE 2012 CONCESSION CONTRACT WITH THE LOPEZ LAKE MARINA CONCESSIONAIRE

Our office recently completed a financial review of the Lopez Lake Marina concessionaire for calendar year 2012. Please respond to Findings & Recommendations numbered two and three within 10 business days of receiving this report. The response should include the corrective action the General Services Agency will be making to address the Findings. Please note that no response is required for Suggested Improvements.

Background

Currently the General Services Agency (GSA) contracts with the concessionaire to operate the marina at Lopez Lake. The Board of Supervisors approved the assignment of the contract to the concessionaire on July 12, 2011. Nine percent of gross receipts, less taxes and the sales of fishing licenses, is remitted monthly as rent for the operation of the marina. In calendar year 2012 \$55,291 was remitted.

Purpose

The purpose of our review was to determine if the concessionaire's internal controls were adequate to safeguard and accurately account for cash receipts and whether rent payments were accurately calculated and remitted in a timely manner to the County. We also determined if the concessionaire maintained the level of insurance required in the contracts. In addition, we determined whether GSA properly recorded the rent payments and whether GSA deposits were made in a timely manner.

Scope

Our review included the concessionaire's contract with the County, accounting records, cash receipts, rent payments and insurance statements for calendar year 2012. We also looked at cash deposits by GSA for the same year.

Methodology

We conducted interviews and physical observations to evaluate internal controls. We performed detail testing and analysis of the concessionaire's accounting records, cash receipts, and rent calculations and payments. We also reviewed insurance statements to determine the

level of insurance maintained by the concessionaire. Lastly, we performed testing to determine whether rent payments were recorded accurately and deposited intact and in a timely manner.

Results

We ascertained the concessionaire had adequate internal controls and that all payments were received by the County on time. We also determined the concessionaire over reported gross receipts.

We noted that GSA did not date/time stamp four payments and did not deposit three payments in a timely manner.

Additionally, during fieldwork we identified an area where improvements could be made on the concessionaire's insurance certificate, and we immediately provided the concessionaire with a recommendation for making the improvement. Suggestions for improvement are made for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the concessionaire is able to correct at the time of the audit. Our suggestion is detailed in the Suggested Improvements section below.

Findings & Recommendations

1. Over Reporting of Gross Receipts

We determined the concessionaire over reported gross receipts resulting in an overpayment of \$80.51 of rent to the County. The concessionaire was required to remit 9% of gross receipts to the County for rent; however, due to errors in recording Z-tape totals, the rent remitted was in excess of the rent due.

Recommendation

The County should reimburse the \$80.51 in overpaid rent to the concessionaire.

2. Payments Not Date/Time Stamped

We determined the General Services Agency did not date/time stamp four of twelve payments from the concessionaire. Payments must be date/time stamped when received to determine if they are timely. General Services Agency staff did not date/time stamp the payments when received and, as a result, management was unable to determine whether late payment penalties applied in accordance with the contract, resulting in the possibility of lost revenue to the County.

Recommendation

All concessionaire payments must be date/time stamped when received.

3. Deposits Not Timely

Because they were not date/time stamped, we were unable to identify whether four of twelve concessionaire payments were deposited in accordance with the County Cash Handling Policy (Policy). We determined three of the remaining eight deposits were not made in a timely manner. The Policy requires departments to deposit cash within one business day if receipts

exceed \$500. Staff responsible for making the deposits was on leave when the payments were received and the assigned replacement did not make the deposits. Undeposited cash receipts increase the risk of loss or misappropriation of County assets.

Recommendation

Implement procedures to ensure that all staff who accept and deposit payments understand the deposit requirements in the County Cash Handling Policy.

Suggested Improvement

Insurance Incomplete

We determined the concessionaire did not name the San Luis Obispo County Flood Control and Water Conservation District as an additional insured on the general liability insurance. Paragraph 19.C of the concessionaire contract requires the District to be named as an additional insured. The concessionaire updated the liability insurance to include the San Luis Obispo County Flood Control and Water Conservation District as an additional insured on August 8, 2013.

We would like to thank General Services Agency management and staff, and the concessionaire for their cooperation during our review.